BR&E 2011

Grants Pass & Josephine County Chamber of Commerce

GRANTS PASS JOSEPHINE COUNTY, OREGON

Summary data from business visitations and surveys
July 2011

BR&E
GRANTS PASS/ JOSEPHINE COUNTY
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We believe our existing firms are our best prospects for future growth. The purpose of this program is to see how we can help them grow.

GRANTS PASS/JOSEPHINE COUNTY, OREGON

BUSINESS RETENTION & EXPANSION PROGRAM

2011

BUSINESS RETENTION & EXPANSION (BR&E)

BUSINESS SURVEY/VISITATION

SUMMARY REPORT

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http://www.bre.grantspasschamber.org

GRANTS PASS/ JOSEPHINE COUNTY
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Summary data from business visitations and surveys
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Grants Pass/Josephine County, Oregon Business Retention & Expansion (BR&E) Program

Introduction

Every community needs to pay attention to its existing businesses. The Grants Pass/Josephine County Business Retention and Expansion (BR&E) program strategically communicates with local businesses and develops strong local economic development efforts. While attraction of new businesses and encouragement of new business start-ups are important parts of an overall economic development strategy, many communities across the country recognize the need to do more to help existing businesses survive and grow. The survey conducted by the Grants Pass & Josephine County Chamber of Commerce BR&E Committee is one way to understand the needs and aspirations of local businesses. The survey results are used to develop strategies that help businesses remain and expand in Josephine County.

Objectives

1. To demonstrate to local businesses that the community appreciates their contributions to the local economy.
2. To help existing businesses solve problems.
3. To assist businesses in using programs aimed at helping them become more competitive.
4. To anticipate future local business issues and trends and develop strategies to address these.
5. To build community capacity to sustain growth.
6. To specifically identify those businesses poised to expand that need assistance to grow.
7. To develop collaborative relationships.
8. To attract support businesses.

Sponsorship

This program is sponsored locally by the Grants Pass & Josephine County Chamber of Commerce with support from the City of Grants Pass and Josephine County. Southern Oregon Regional Economic Development, Inc. (SOREDI), Rogue Community College, Oregon Employment Dept., The Job Council, Pacific Power, Avista Utilities, and the Oregon Business Development Dept. are also key supporters of BR&E.

The history

In 1998, the City of Grants Pass was seeking to develop a business retention and expansion program. At the same time, the Grants Pass & Josephine County Chamber of Commerce called together its Business Retention & Expansion Committee which had been on hiatus for a number of years. Through research conducted by the City, the Chamber Committee ultimately decided to undertake a program developed by the Minnesota Extension Service. At the time the Western Rural Development Center was housed at Oregon State University in Corvallis and would be able to provide a significant amount of technical assistance and guidance at little or no cost to the community.

In early 1999, the program was launched and the first round of business visitations and surveys was conducted. The effort won the “Sustainable Oregon” award from Gov. John Kitzhaber that year. In 2001, the program won an international community award from BREI (Business Retention and Expansion International). The awards were due mostly to the fact that the program had demonstrated real results from its efforts, namely enabling one or more key local manufacturers to expand their facilities and add jobs. One of the most visible success stories has been the development of the Spalding Commerce Park in Grants Pass, as a direct response to the 1999 survey results.

Each year, an annual retreat/planning session is held to look back on the previous year’s accomplishments and look ahead to planning for future activities and strategies. It was determined that comprehensive surveys would be conducted every three years, so a second round of surveys was conducted in 2002. In 2003 the format of the annual meeting was changed to become more akin to an annual economic development forum, complete with professional speakers and an awards program. 2005 marked the third round of surveys and the third year for the annual forum under the new format. Both activities were bigger and better than in previous years. 2008 marked the 10th anniversary of the program and the fourth round of surveys. The fifth round of surveys was conducted in early 2011.

Why is Business Retention & Expansion (BR&E) important?

Our slogan in 1999 was, "***We believe our existing firms are our best prospects for future growth. The purpose of this program is to see how we can help them grow.***" That statement continues to hold true today and has worked its way into local economic development policy and is evident in some of the major business growth projects happening today in the Grants Pass area. Virtually all new projects, job growth and capital investment are due to existing businesses expanding. The BR&E team has been involved in most, if not all, of the projects in one way or another. We've demonstrated our ability to successfully transition business relocation efforts such as Encore Ceramics, Fire Mountain Gems and First Call Resolution into successful BR&E efforts by providing continuing and ongoing assistance even after the business came to town. It is classic "service after the sale."

Most new jobs are created by existing, smaller businesses. Beyond that, the return on the investment of financial and human resources is much greater when invested in local businesses than on new business recruitment. And lastly, a happy and healthy local business climate will actually make new business recruitment much easier as existing businesses become ambassadors for the community.

The process

There are many methods to conduct a successful local BR&E program. One of the ways this program differs from others is that it uses local community leaders as volunteers to visit with the business owners and managers in a one-on-one sit-down visit/survey at the interviewee's place of business. A key benefit of this approach is the relationship-building that it inherently fosters. This approach is also much more cost-effective than hiring "professionals" to collect the data for the community.

In 1999, when the Grants Pass/Josephine County BR&E project conducted its first formal comprehensive business visitation and survey program, local businesses were riding the crest of an exciting economic wave. One of the most revealing facts from this initial effort was that 45 of the 61 businesses surveyed were planning to add 1,200 new jobs over the next three years. Three years later in 2002 the world was dramatically different in the post-9/11 era. Did the businesses add the jobs they anticipated after 1999? Many expansion projects were placed on hold. Most businesses were on track to meet their projections until the catastrophic economic events of 2001-2002 set in. One thing is certain; businesses in 2002 were less optimistic than they were in 1999. Still, most of them were planning for healthy future growth.

In 2005, the optimism seemed to have returned for the most part. Businesses were again looking to the future for growth, and many grew significantly since 2002. Most local businesses survived the recession very well, and some even thrived. The size of the labor force and the number of people employed locally were at historic highs in 2005. Dozens of area businesses were in one phase or another of a local expansion effort. More business surveys were completed in 2005 than in 2002 or in 1999.

72 business surveys were completed in 2011.

The 2008 survey revealed a continuation of the three-year economic cycle seen in previous surveys as a national recession loomed in the post-housing crisis era. Generally speaking, businesses surveyed were rather apprehensive about the future, yet still continued to prove their dynamism with significant and on-going capital and technology investments.

With the lingering recession that began in 2008 still affecting unemployment rates and business growth nationally, in Oregon and in the Southern Oregon region, initial expectations from the 2011 survey were the data would reflect the sluggish recovery and skeptical outlooks for the future. Arguably, for the first time an economic cycle spanned over two consecutive BR&E survey cycles in 2008 and 2011. However, despite a lack of growth, a certain amount of unexpected optimism among Josephine County businesses was observed in the 2011 survey. As is noted elsewhere, the number of critical issues raised was surprisingly low. For the most part, businesses have put the past behind them, are currently holding steady and looking toward a more prosperous future.

What's different between the 2011 survey and data and the previous versions?

Number of businesses surveyed. In 1999, a goal was set to visit around 95 businesses; data was collected from 61 when the project was completed. In 2002, the goal was to visit over 140, and data was collected from only 37, with five being considered incomplete. In 2005 100 businesses were targeted and 66 surveys were completed. In 2008, a similar visitation target of around 105 businesses was set, and 78 were completed , the highest completion number and rate to date. Ambitiously, 122 businesses were targeted to be surveyed in 2011, and 72 surveys were completed, nearing the high mark set in 2008.

The types of businesses surveyed. In **1999**, the initial target was every non-government business with over 100 employees, then a sample was taken of businesses in manufacturing, wholesale trade and some service sector. In **2002**, a broader mix of businesses was visited, including some visited previously and many new, smaller businesses, including several retail businesses. Some of the high refusal rate in 2002 may have been due to the types of businesses, but also likely due to the state of the economy and businesses' comfort level, inadequate visitor training & follow-through, and the survey process and instruments were not fully understood by the visitors or the businesses.

The **2005** and **2008** surveys were very similar to 1999 in that every private sector employer with over 100 employees was targeted and a sampling of "traded sector" (and a few non-traded sector) businesses to round out a list of around 100 businesses. Generally speaking, the list of businesses chosen is based on a selection of businesses which have the ability to make significant impacts on the local economy, both positive and negative. The list was chosen by the BR&E Committee, approved by the Chamber Board.

The selection of businesses for the **2011** survey was very similar to all past surveys in that every private sector employer with over 100 employees was asked to participate; the lists of past businesses surveyed was used as the starting point. The majority of those businesses are "traded sector", with a cross section of non-traded sector businesses to round out a list of around 130 businesses, of which 74 actually agreed to participate. This high level of attrition was anticipated due to current economic conditions. Generally speaking, the criteria for businesses chosen was based on those which might have the ability to make significant impacts on the local economy, both positive and negative, in an effort to present as balanced a snapshot of the local economy as possible. The list was chosen and approved by the full BR&E Committee.

The amount of technical resource assistance. In 1999, the effort received a great amount of technical assistance, including the survey development and the final report by Oregon State University. There was considerable human support from partnering agencies, specifically from the City of Grants Pass. In 2002, there was neither, and quality and quantity suffered. In 2005, the City received a grant from the Regional Investment Board, which allowed the hire of Rebecca L. Reid to develop our survey and provide data analysis and technical assistance. The 2008 & 2011 surveys followed a similar format, slightly modifying the 2005 survey and again using Reid for data analysis and program staff for the report writing. In 2011, the survey analysis & report were funded by the City of Grants Pass and Josephine County. Charlie Mitchell, author of the 2002-2008 reports, was hired to produce the 2011 report.

The survey instrument changed. The program team struggled in the years between 1999 and 2002 with some interim surveys, testing out simpler, shorter surveys. The team elected to go with a two-part survey in 2002 which created confusion and may have led to incomplete surveys and frustrated visitors and businesses. In 2005 the team returned to what worked best in 1999, using funds to hire a professional to develop the survey instrument and analyze the data. We also resumed survey field testing in 2005. In 2008, we tested a modified 2005 survey with three businesses before launching it in late January. The 2011 survey was tested on one business prior to final roll-out.

Red Flag Review. In each round, after the surveys were completed and returned, a Committee meets to review each survey and decide on how to handle the immediate follow-up. The Red Flag review is designed to identify and deal with immediate issues or problems discovered during the survey process, without waiting for formal analysis of the survey data. Prompt attention to issues raised creates a positive response from survey participants and builds good rapport and trust. The Committee addressed 94 unique Red Flag issues in 2005 and 94 again in 2008 among 41 businesses. The number of issues raised in 2011 were surprisingly down from previous years: only 54 unique issues raised among 37 businesses. There was no consistent theme raised, but responses were concentrated around a few areas: community issues (namely parking), a variety of workforce issues, government (taxes, permitting, regulations), issues related to finances and marketing/ product-related issues. In addition, the Red Flag review team is responding to a specific set of workforce development-related questions included in the 2011 survey related to the National Career Readiness Certificate (NCRC) and services provided by Worksource Oregon and The Job Council.

People involved in the local BR&E program:

2011 BR&E Committee (active):

Steve Roe, Chair, Roe Motors
Michael Smith, staff, SOREDI
Linda Draper, The Job Council
Ainoura Oussenbec, Oregon Employment Dept.
Gail Gasso, Oregon Employment Dept.
Jon Jordan, Chamber of Commerce
Colleen Padilla, SOREDI
Brandon Bretl, RCC Workforce Training
Larry Holzgang, OECDD
Lois Keller, Recognition Specialties
John Lopez, RCC, Small Bus. Dev. Center
Steve Dahl, City of Grants Pass
David Tally, RCC Small Bus. Dev. Center
Darlene Dart, PremierWest Bank
Linda Barkey, Visp.net
Alina Brosio, RCC Small Bus. Dev. Center
Bill Keefer, SO Goodwill
Steve Ware, Chamber Board

2011 Volunteer business visitors: (In addition to Committee)

Dean Wendle
Brandon Bretl
Alina Brosio
Linda Barkey
Peter Angstadt
John Lopez
Mollie Means
Marcia Griffin
Phil Stephens
Bea Ryan
Mike Smith
Ron Fox
Darlene Dart
DonnaJean Wendle
Irvin Vodovoz
Ainoura Quessenbec
Deelia Warner
Doug Croskell
Larry Holzgang
Dennis Alexander
Beth Coombs
Ron Goss
Beth Harden
Nelson Maler
Roy Lindsay
Cathy Belisle
Todd Thompson
Tim Artoff
Gail Gasso
Stacie Grier
Katie Erickson
David Ellison
Nancy Maxwell
Jon Jordan
Dawn Miller
Linda Draper
Steve Dahl
David Talley
Colleen Padilla
Nathan Tanner
Nan Skyora
Ken Heindsmann
Debbi Stricklan
Mollie Means
Steve Roe
Bill Keefer
Wynnis Grow

The award-winning local BR&E program is a standing committee of the Grants Pass & Josephine County (Oregon) Chamber of Commerce. Committee members meet monthly and conduct surveys every three years. The effort is largely volunteer-driven with only minimal staff support provided by the Chamber, SOREDI and the City of Grants Pass.

When not conducting business visitations, the Committee organizes an annual gathering and awards ceremony to celebrate the success of th local business community. At monthly meetings between survey cycles, Committee members continue to work on strategies developed based on the outcomes of past surveys and share knowledge of current issues related to local business retention & expansion.

Firms Visited:

122 firms were targeted to be visited in 2011 and 72 surveys were completed. This was the second-highest number, but second-lowest completion rate to date.

Facts on the 2011 round of BR&E business surveys:

• Surveys completed:	72
• Completion rate:	59%
• Businesses with "Red Flags":	37
• Individual "Red Flag" issues:	54
• Businesses with expansion needs:	3
• Businesses considering relocations:	3
• Businesses considering closing:	1
• Number of volunteers involved:	47
• Approx. number of volunteer hours:	340

This compares well to previous rounds, though the number of potential expansions and Red Flag issues represented may seem somewhat lower than expected. The previous dynamism reflected in the surveys is not as prevalent here; however, as will be shown later in this report, while expansions, new job creation and urgent issues are not as prevalent as in the past, there remains a high degree of change anticipated for Josephine County businesses.

The community and the BR&E Committee greatly appreciate the willingness of these businesses to help the community understand their needs. Their survey responses are confidential yet it is important to credit their participation by listing their names in **Table 1.** on the following page. There is a good mix of businesses that have been surveyed in the past and first-timers. Only one business has participated in all five surveys.

• Surveyed for the first time in 2011:	30
• Participated in at least one other survey:	42
• Participated in one other survey:	14
• Participated in two other surveys:	17
• Participated in three other surveys:	6
• Participated in the past four surveys:	4
• Participated in all surveys:	1

For 42% of the businesses involved in the 2011 survey, this was their initial interaction with the BR&E visitation program.

Firms Visited in 2011:

Table 1.

AE Light†
Alltrax†
American Medical Response
Asante/Three Rivers Community Hospital§
Battery Stuff
Carson Helicopter†
Cary's of Oregon♯
Cascade Metal recycling
Century 21, Harris & Taylor
Chet's Garden & Pet Center
Core-Mark♯
Courier Publishing♯
Duro-Last Roofing♯
Dutch Bros.*
Encore Ceramics
ESAM♯
Fiberoptic Lighting*
Fire Mountain Gems*
First Call Resolution
Foris Vineyards*
Gates Home Furnishings♯
Glass Forge Gallery & Studio†
Gospel Rescue Mission Recycling
Grayback Forestry*
Great Pacific Trading
Gw Storage Containers
Hellgate Excursions†
Henderson's Line-up*
Herb Pharm♯
Hiler's Iron Woks
Holiday Inn Express
Home Concierge
Impact Physical Therapy†
Isecure†
Laurel Hill Nursing Center*
Les Schwab*
Marzi Sinks*
Media Makers
Met One Instruments♯
Mid Rogue IPA
Mycorrhizal Applications Inc.*
New Tribe, LLC
Northwest Alloys
Options of Southern Oregon
Orange Torpedo Trips*
Pacific Aviation†
Pacific Botanicals†
Pacific Truck and Trailer
Radio Design Group*
Robco†
Rogue Community College
Rogue Pro Industrial
Rogue Truck Body*
Rogue Valley Door†
Rogue Wilderness
Roley's Pacific Supply†
Rough & Ready Lumber Co.*
Select Designs
Sharp's Tarps Inc.†
Shelter One/Met Lab*
Siskiyou Community Health Center†
Southern Oregon Goodwill
Southern Oregon Sanitation♯
SPARC/Stepping Stone*
Spectrum Orthotics & Prostheticss
Superior Helicopter
Taylor Sausage*
Three Rivers School District
Triad Image
Wildlife Images
ZCS Engineering
Zip Line Gear

♯Firms that were also surveyed in three previous rounds of BR&E surveys
**Firms that were also surveyed in at least two previous rounds of BR&E surveys*
†Firms that were also surveyed in one previous round of BR&E surveys
§Firms that were surveyed in all four rounds

Grants Pass & Josephine County Economic Profile:

Job growth and industry diversity had been the themes for Josephine County from the early 1990s until the mid-2000s. However, while economic diversity remains prevalent, job growth ceased after 2006. In fact, total employment in Josephine County in 2010 was near 2001 levels. Once a timber and natural resources dependent community, today no singular or group of businesses and no singular industry dominates the local economy. Total employment in Josephine County hit an all-time in 2006 prior to a state and national economic slowdown that continued into 2008 and beyond until only recently have there been signs of recovery. Josephine County, once adding jobs at rates higher than the state or the nation 2004 through 2006 has seen steady declines since. The phenomenal growth of construction resulted in an employment boom; now virtually all industry sectors continue to face contraction.

Mining, logging, construction and manufacturing in 2010 were at their lowest points in a decade or more. Manufacturing overall shed more than 1,200 jobs from its peak in 2006, while wood products manufacturing has lost 54% of the jobs it had in 2001. Information and financial activities continued a general slide in jobs that began in 2001. Health care employment peaked in 2008 and is only slightly down in 2010, continuing to reflect a economic bright spot in local employment. Government employment, which fell sharply in 2007-08, seems to be rebounding in the years since, but still remains far below 2001-02 levels.

Josephine County's unemployment rate peaked in 2009 and 2010 at around 14.5 percent, but has generally dropped by two percentage points since then, still considerably above pre-2008 figures. The labor force has generally remained flat in recent years with some fluctuations. The total number of employed in 2010 was fewer than in 2009, but the rate of decline slowed considerably than between 2008 and 2009. The number of unemployed at the economy's peak ranged between 2,000 and 3,000, but has edged up to over 5,700 at times in recent years, posting considerable drops in the spring of 2011 (as low as 4,300 in April 2011), early indications that a recovery may be in order.

The largest city and county seat in Josephine County is Grants Pass, (population 34,533, a 50% increase since 2000 and nearly 4,900 due to annexation). The Grants Pass urban area has an estimated population of around 40,000. Grants Pass is the 15th largest city in the state, behind Lake Oswego and Keizer and ahead of McMinnville and Oregon City. Interestingly, population for Josephine County as a whole only grew by 9.2% in the past decade, as virtually all of the growth in the county occurred in the Grants Pass urban area, while unincorporated parts of the county actually saw population decline. Cave Junction, the county's other incorporated city, has 1,883 residents, growing by over 38 percent since 2000. Josephine County has an aging population (nearly 21 percent of the county's residents are 65 or older, compared to around 13 percent for Oregon). All of the county's population growth has come from in-migration and continues to experience a negative natural growth, with deaths in the decade exceeding births by nearly 2,500.

Employment Trends and Industry Diversity

Josephine County's reliance on logging and timber products manufacturing has decreased over the past two decades. Despite this, until very recently, new jobs continued to be added. The county's employment base has diversified to include high technology, medical care, tourism, retirement services, retail trade and other service and manufacturing sectors. Many of the top manufacturers in the county, including those producing wood products, experienced expansions and added new employees until recent contractions.

Josephine County has lead the state in economic diversity among rural counties. A state economist determined Josephine County ranked highest among rural Oregon counties in terms of economic diversification. The index model, known as the Hachman Index, was produced by Frank Hachman of the Bureau of Business and Economic Research at the University of Utah.

In 2010 the county currently employed only around 430 in wood products. Health services is the largest sector of employment (18%), followed by retail trade (16%), leisure and hospitality (11%), manufacturing (10%), and local education (8%). 70 new jobs were added in 2010 in health services while the other traditional high-paying industry sectors of construction, manufacturing and wholesale trade saw fairly substantial declines in jobs. The total civilian labor force in the county hovers around 35,000, where it has generally been since 2007.

MasterBrand Cabinets, Three Rivers Community Hospital and Fire Mountain Gems remain among the largest employers in the county with above-average compensation and benefits. The government sector has rebounded after falling on hard times in 2007. Following similar national and statewide trends, manufacturing employment is fading after regaining strength a few years ago. Employment in the Josephine County wood products industry, which had fallen by about a third in the previous decade is only one half of what it was in 2001.

Through 2018, the health care sector is projected to see the fastest job growth in the region (21 percent); followed by professional & business services (15 percent); and leisure & hospitality (14 percent). Some of the fastest growing occupations in the region through 2018 include nurses, cashiers, clerks, veterinary positions and home health aides.

Grants Pass/ Josephine County 2011 Survey Results

Following are the results of the survey of 72 firms by the Grants Pass & Josephine County BR&E Committee and volunteer visitors January through April 2011. The firm characteristics are summarized first followed by selected detailed data on a variety of issues and subjects, and finally suggested projects and strategies selected by the data analyst, author & Committee.

Characteristics of Firms Visited

The firms visited represent a sample of around 3.2 percent of the businesses in Josephine County 2,258 firms*). Of the 122 firms targeted, 72 completed the visits, the second-highest number and second-lowest completion percentage yet for this program. The types of firms in the visited sample fell into several categories (see Fig. 1). The largest broad industry categories were:

Manufacturing:	39%
Services:	19%
Health care:	7%
Retail Trade:	7%
Tourism:	7%
Transportation:	6%
Wholesale Trade:	4%
Other:	11%

These firms employed 6,316 in 2011 (about 28% of the total County payroll employment.) Distribution of employment was fairly evenly spread across the range (see Fig. 2). The overall mean employment size was 91. Compared with 2008, a higher percentage of small and larger businesses were surveyed, with a smaller sample of medium-sized firms.

Geographic distribution of firms surveyed in 2011

- 68% in the Grants Pass urban area
- 18% in Merlin/North Valley
- 7% in the Illinois Valley
- 7% in other unincorporated areas of Josephine County

*Source: Oregon Employment Department, Quarterly Census of Employment and Wages, annual average 2010.

Firms were also selected according to broad sectors:

- *Traded Sector* (54%): Companies who derive most of their revenues from outside the local economy
- *A Wide Variety of Local Economy Firms* (29%): Businesses whose revenues come primarily from the local population (retail, services, education, etc.)
- *Medical* (10%): Health care and related
- *Tourism* (7%): Firms engaged in activities related to tourism, recreation & hospitality

Fig. 1.

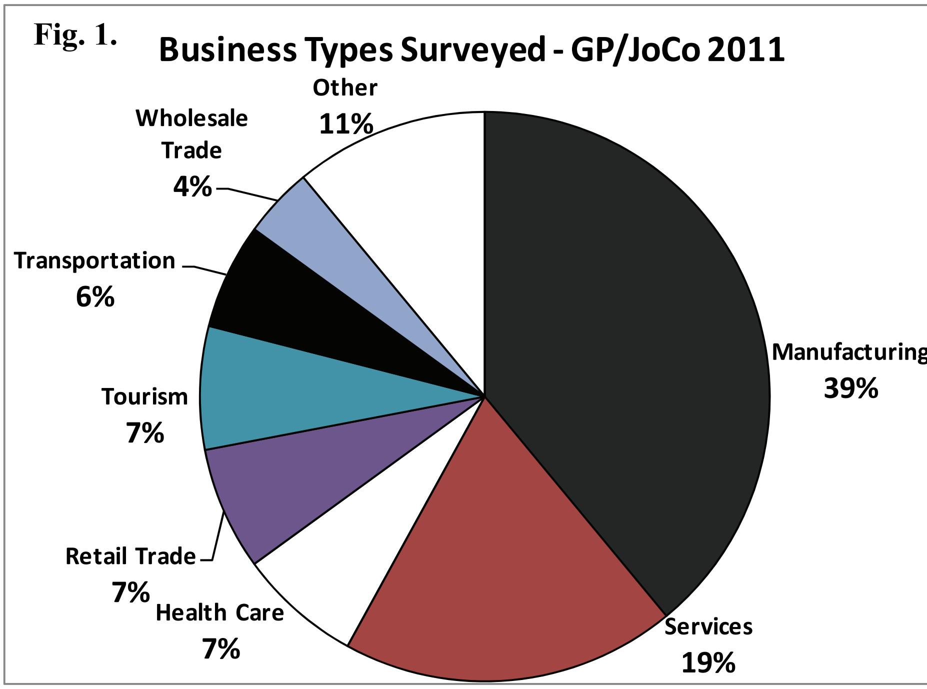
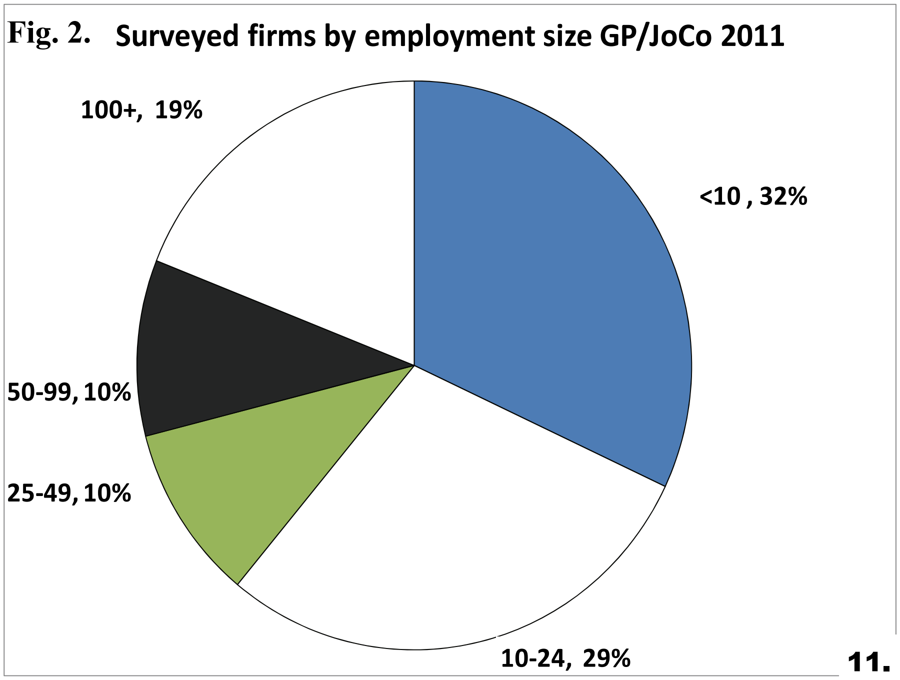


Fig. 2.



What did we learn in 2011?

Businesses remain dynamic and continue to invest in technology, modernization and facilities.

Despite recent sales slumps, businesses are optimistic about the future.

Most continue to find this area to be a good or better place to live and do business.

43% expect economic conditions to improve enough over the next three years to allow for sales growth.

Major findings:

- Businesses remain dynamic and continue to invest in technology, modernization and facilities.
- Many businesses will need assistance with their expansions. A few businesses are considering relocations outside of the region or outright closures.
- Access to capital is a concern with a number of businesses and may be a factor in limiting growth.
- Despite recent sales slumps, businesses are optimistic about the future.
- Two-thirds of the survey respondents reported that their company had expanded or remodeled in the past five years and a similar percentage plan an expansion or remodel in the near future.
- One-third of those surveyed reported sales down more than 20% over the past three years; over 10% expect similar results over the next three years.
- 43% expect economic conditions to improve enough over the next three years to allow for sales growth.
- 70% expect emerging technologies and changes in market forces to impact their businesses in the future.
- Most find this area to be a good or better place to live and do business.

About the data:

The next several pages contain brief text and graphical representations of the data obtained from the surveys. The data is generally presented in the order that it was asked. Not all questions and responses are listed here; only those that lend themselves best to interpretation. This document is intended to be a summary of the data for general consumption. Some of the detailed data contains responses with confidential and/or proprietary or inappropriate comments and responses. In these cases, the responses may have been edited and/or paraphrased for the purposes of this summary to protect the confidentiality of the employer and/or the volunteer visitor and in some cases to produce smoother-flowing data. The strategies that are listed are the expert opinion of the data analyst, author and the BR&E Committee.

Rating the community

In each round of the five surveys businesses were asked to rate the community as a place to live and as a place to do business. Prior to 2008, community ratings had improved each year. Through 2005 each rating improved by about 0.2 in each category every three years. For 2008, ratings for the community as a place to do business slid by 0.4 while ratings for the community as a place to live held steady from 2005. *(See Fig. 3. and Table 2.)* In 2011 "as a place to do business" notched up a tenth, while "as a place to live" dropped a tenth. Firms' opinions of Grants Pass/Josephine County as a place to do business are still 79 percent good/excellent, identical to 2008. Their opinions of the community as a place to live remain at 97 percent good/excellent, again identical to 2008. It is worth noting that in 2011 "as a place to do business" received no "poor/ very poor" ratings, compared to 6% in 2008. Opinions related to the community as a place to do business have improved slightly over the past three years.

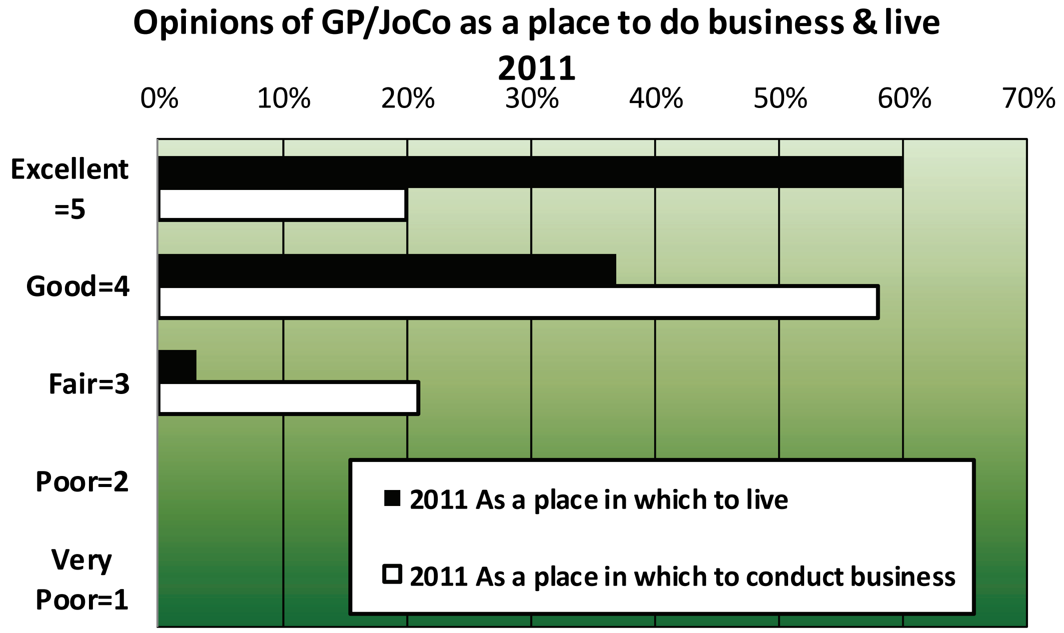


Fig. 3.

Opinions related to the community as a place to do business have improved slightly over the past three years.

Table 2.	Community as a place to do business	Community as a place to live
1999	3.9	4.4
2002	4.1	4.5
2005	4.3	4.7
2008	3.9	4.7
2011	4.0	4.6

Advantages & Disadvantages.

Businesses listed the advantages and disadvantages they gain or incur from being located in this community. In many cases, the attributes of this area can be both a hindrance and a help—such as workforce, the size of the community and market access. *(See Tables 3. & 4.)* In 2011 employers appear more neutral with respect to workforce, dropping it by 12 percentage points as an advantage; and while it remained on top of the disadvantage list, it dropped there as well.

Table 3.

Key Advantages:		chg. from '08
Community/ Size	35%	+17%
Location/Climate/River	25%	+3%
Quality of Life	21%	-8%
Labor/ Workforce	15%	-12%
Economics/costs	13%	+3%
Access to Customer	13%	+5%
Customer Loyalty	10%	*
Convenience	10%	*

Table 4.

Key Disadvantages:		chg. from '08
Workforce	17%	-7%
Transportation	17%	+2%
Small area/ Market	13%	+1%
None	13%	*
Distance from Markets	11%	+3%
Lack of Demand/ Activity	11%	*

Employment

In the survey, businesses were asked to report how many employees in the categories of full-time, part-time, and temporary/seasonal were working there three years ago, currently and projected in three years. Fig. 4. shows that among the 72 companies who responded, they anticipate reducing employment over the next three years. This is a phenomenon never before seen through these surveys. It is worth noting that not all businesses responded to all of these questions, however. Still, it appears evident Josephine County is no longer in a job growth mode as it once was, according to the figures here looking at past, present and future employment among the businesses surveyed. There is an inherent error factor when looking at projected 2014 employment, as 17% of the businesses surveyed did not offer a projection. The overall mean employment number does grow in 2014 after dropping in 2011 as can be seen in Table 5.

FIG. 4.

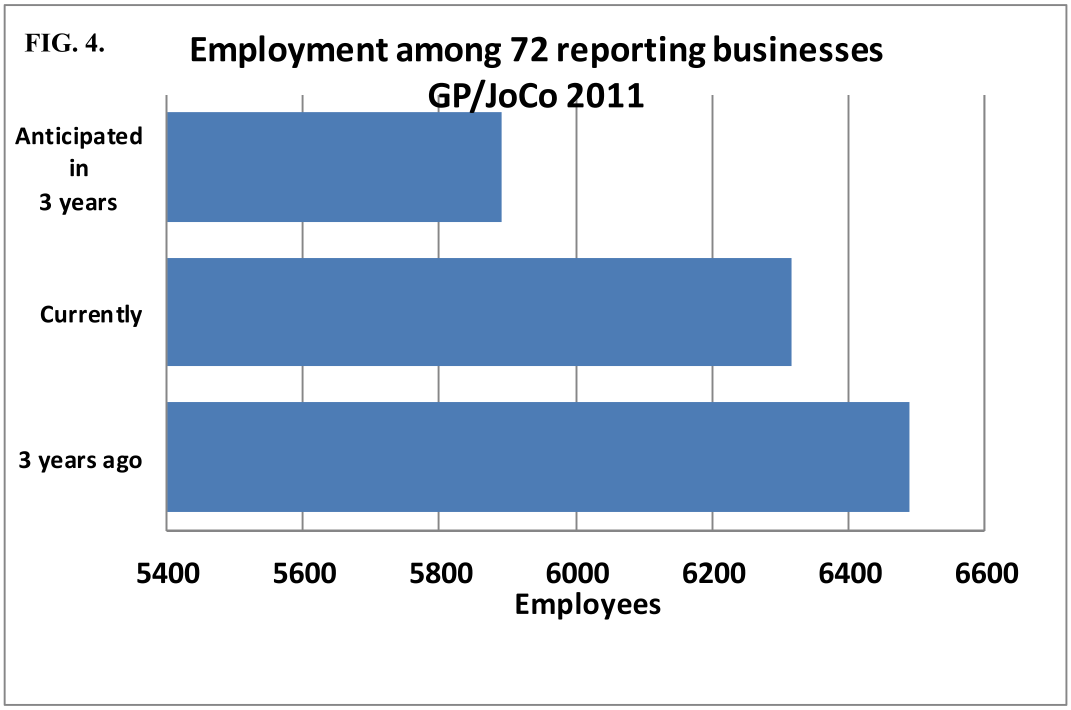


Table 5.	3 years ago	Currently	3 years from now
Overall mean size of employment	96	91	98
Mean percentage: Full-Time	75%	72%	80%
Mean percentage: Part-Time	13%	18%	12%
Mean percentage: Temp & Seasonal	9%	9%	8%

It appears that there is less of a tendency to hire temporary and seasonal workers compared with past surveys. In fact, compared with 2008, there is a much higher percentage of employees listed in the full-time category compared with part-time and seasonal/ temporary. The percentage of skilled and professional workers compared with unskilled labor was much higher this year than in years past. This phenomenon, along with the previous data sets, may lead to the conclusions that while hiring has slowed

Table 6.	Currently	In 3 years
Mean percentage: Gen. (Unskilled) Production	15%	13%
Mean percentage: Skilled Production	29%	30%
Mean percentage: Clerical/ office	14%	15%
Mean percentage: Sales/ Marketing	13%	13%
Mean percentage: Professional/ Mgmt.	23%	22%

and is predicted to remain slow, those employees that remain are predominantly skilled, full-time workers. This correlates to a stable or contracting workforce as opposed to one that is in a fast-growth mode when employers scrutinize less and hiring practices differ to reflect rapid ramp-up to meet production goals. Businesses and their respective employers are likely more stable and less dynamic than in years past.

Generally, wages have risen over the years, especially entry-level wages, even though the mean wage paid to skilled production labor appeared to have slipped slightly between 2002 and 2008 for an unknown reason (see Table 7.). This aberration may in part have been due to the small sample size of the 2002 survey. In 2011, the entry level wage for general production and skilled production reached the highest points yet. In addition to these two categories, in 2011 surveyed firms reported their average starting wage for employees in professional/ management/ technical positions to be $21.08. The overall average wage was $16.67.

Table 7.	General Production Mean Wage*	Skilled Production Mean Wage
1999 Survey	$7.76 - $8.23/hr.	$11.20/hr.
2002 Survey	$8.24 - $8.25/hr.	$13.63/hr.
2005 Survey	$9.19/hr.	$12.18/hr.
2008 Survey	$9.86/hr.	$13.29/hr.
2011 Survey	**$10.30/hr.**	**$14.21/hr.**

**The wage range stated in 1999 and 2002 is due to general production labor included in two separate job classifications in the 1999 and 2002 surveys.*

Employee Benefits

Even though employees of the firms surveyed appear to be making more money, more of them are working full-time and more are in skilled positions compared with years past, this all may have come at a cost. This year, the lowest percentage yet of firms providing benefits was recorded, falling after rising the past three survey cycles. It is possible the rising cost of health care may have finally caused more businesses to forego the provision of benefits (see Table 8.). Some employers are providing benefits only to management positions. A variety of different types of benefits are being offered, with vacation, health insurance, paid holidays and retirement being the most popular (see Figure 5.). This graph is particularly telling, as compared with 2008, when 90% of firms were providing health benefits and over 80% were providing vacation and paid holidays. Now, less than 70% are providing health care and paid holidays and just over 70% are giving their employees vacation benefits.

Fig. 5

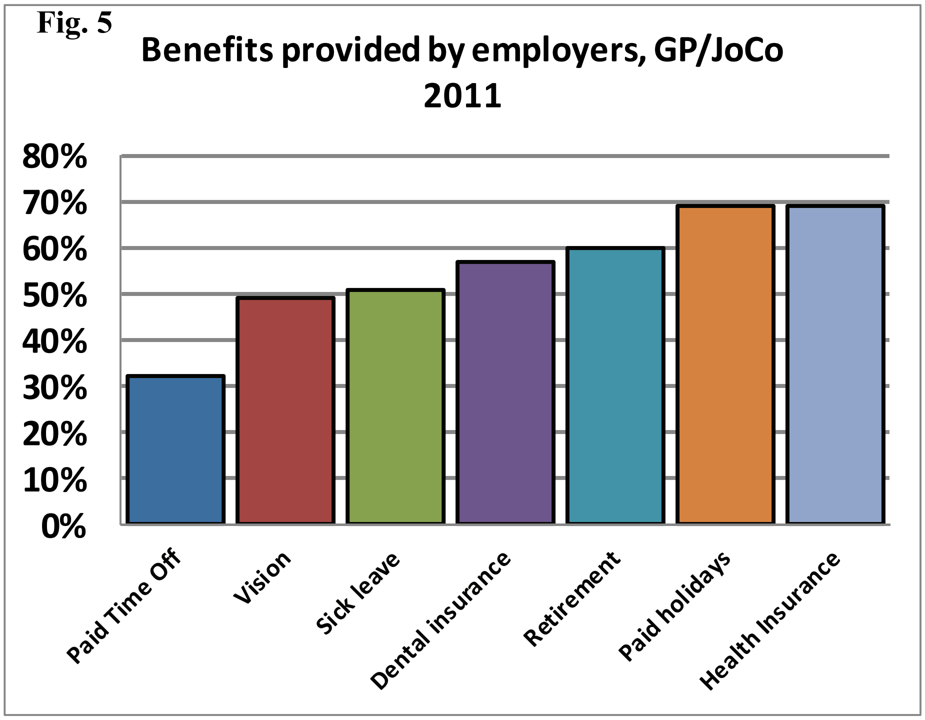


Table 8.	% of firms surveyed who provide benefits	% of firms surveyed who don't provide benefits
1999 survey	**88%**	**12%**
2002 survey	**85%**	**15%**
2005 survey	**91%**	**9%**
2008 survey	**96%**	**4%**
2011 survey	**81%**	**19%**

For the most popular benefit this year, vacation leave, one or two weeks seem to be the most common, though some are combining with paid time off, which can skew the numbers a bit. Many of those firms providing health care benefits were requiring employees to pay a portion of the monthly premiums. For those reporting the number of holidays paid, the number ranged from a low of three to a high of 11 per year.

Recruiting & keeping employees

Companies were asked whether or not they had problems with the recruitment of employees. As hiring has slowed considerably since 2005, the ratio of yes/not responses has flipped in the six years since when 60% reported recruiting problems. In 2008 the responses were close to 50/50. A trend has emerged over the past three survey cycles, pointing to a fairly dramatic slowing of recruitment issues as the economy cooled. Still, the fact that 40% of the businesses surveyed continue to experience hiring issues is somewhat significant and telling of the struggles businesses face in their attempt to fill positions. (See Fig. 6.) Past surveys have shown us that employers naturally have more difficulty finding employees during good economic times, as the labor market tightens. In those respects, given the current economic climate, the fact that nearly half still have issues with recruitment points to a shrinking labor market.

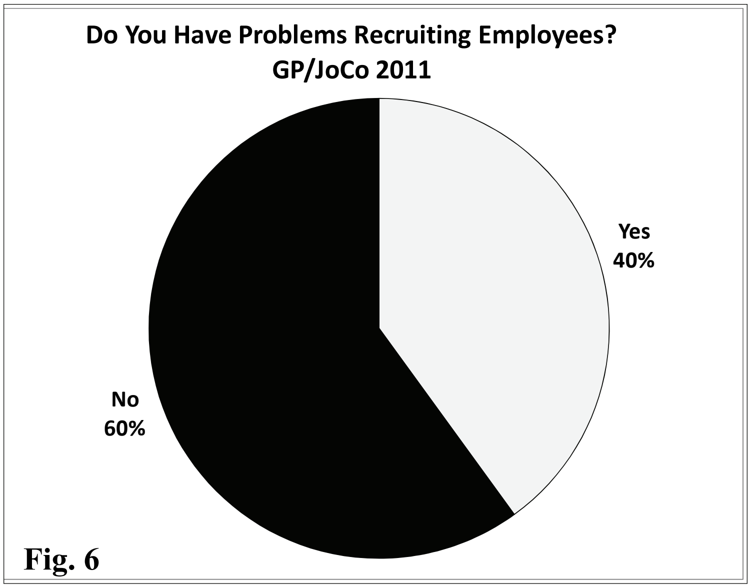


Fig. 6

Those reporting problems list issues with trying to fill higher skill positions as most troublesome, as well as a general lack of qualifications and skills as reasons leading to hiring difficulties. The medical and health care firms in particular (as noted earlier, generally the industry that has remained in a growth mode throughout the past decade) experiences difficulty filling positions (see Fig. 7.)

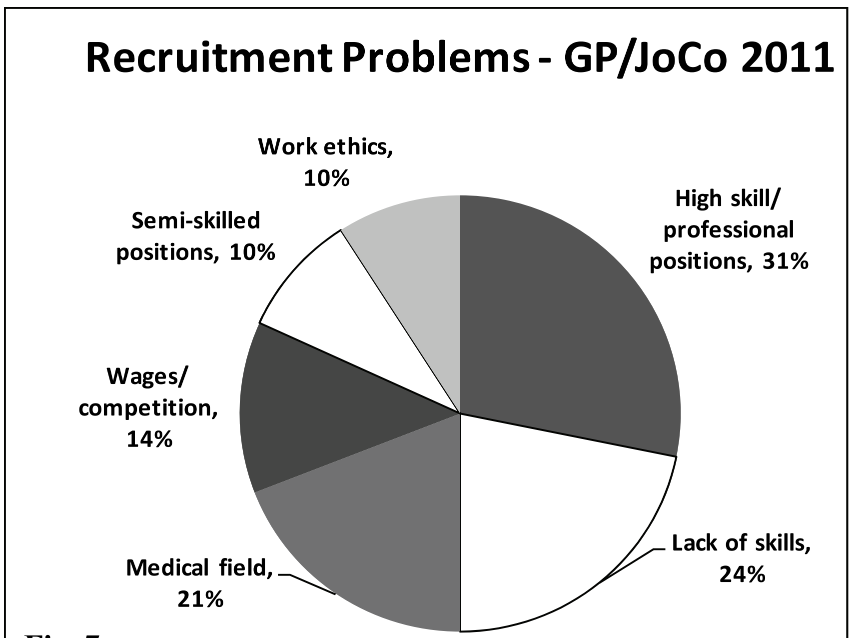


Fig. 7.

Very few employers (only 8%) attribute recruitment issues due to housing costs or availability. Slightly more (18%) said that substance abuse contributes to hiring problems. Nearly half of the businesses surveyed say they plan to put in place new strategies to attract workers. Several of these plan to offer benefits as a way to attract new employees. Similarly, nearly one in four businesses plan to make changes to their compensation package, again with many planning to offer benefits, especially health care benefits. Several point to these changes only occurring when or if the economy improves enough to allow them to do so.

Looking at employee retention, more than half of the firms surveyed say they plan to put in place new strategies to keep the workers they already have. Again, the restoration, addition or implementation of a benefit package appears as a common theme. Other employers recognized the fact that improvements in the work environment or culture could help them hold onto good workers.

Over 60% of the firms visited say they would consider hiring retired or semi-retired workers to help address shortages, turn-over or recruitment issues.

Employee Training

All of the businesses surveyed in 2011 state they provide some form of training for their employees. This compares favorably to past surveys: In 2005, 1.5% of the businesses surveyed did not provide any training; in 2008 that number rose slightly to 4%. In-house training remains the most popular (96 % in 2011 and 94% in 2008), as it has in previous surveys. Self-teaching and sending employees to workshops are other popular methods, again very similar to previous surveys (see Fig. 8.).

Like in previous surveys, businesses continue to say they need training and assistance, both for business productivity and their own professional development, but also for their employees, current and future. The mix of training needs was shuffled a bit this year, compared to previous years. A trend that continues to develop is the increased demand for "advanced computer skills." Management skills needs topped the list for the first time this year and customer service training needs also became a much more popular need this year compared to years past. Somewhat surprisingly, the percentage of firms with employees needing training in basic computer skills rose this year (see Fig. 9.)

Over 40% of the firms surveyed stated they had a need for business leadership or management training, consulting or assistance. This number was similar to 2008.

Fig. 8

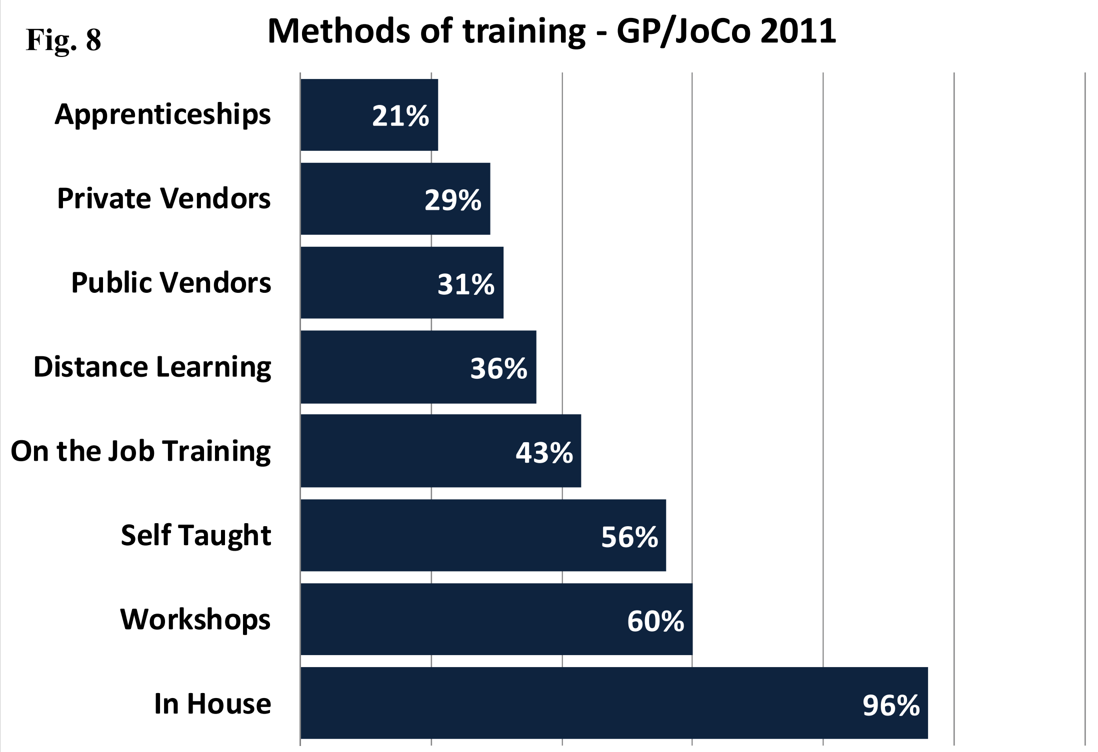
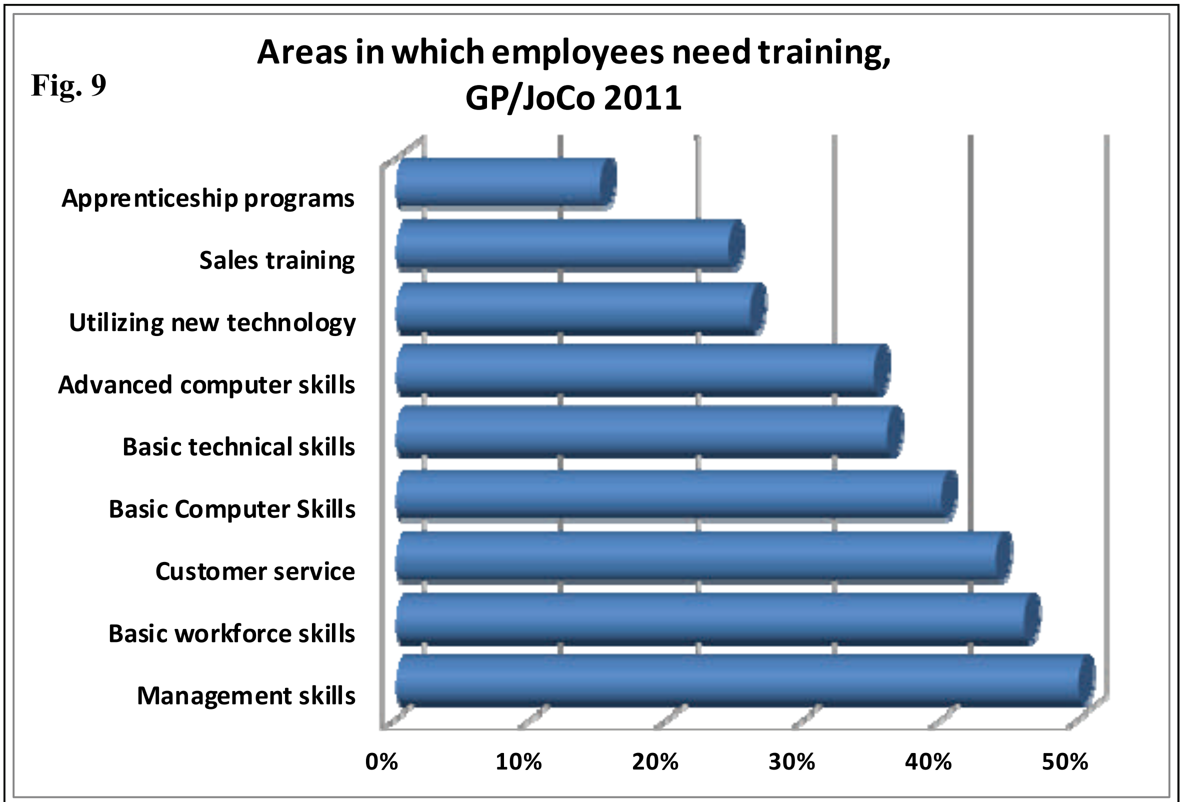


Fig. 9



Looking to the future (and into the past)

Sales volume changes

Businesses were asked to state whether or not their sales had increased or decreased in the past three years and what they projected their sales would do in the next three years. Echoing a lingering sluggish economy, less than half of the firms surveyed indicated their sales increased over the past three years, representing the lowest percentage seen since this survey project began in 1999. A similar percentage saw their sales decline over the past three years. While optimism for the future was not high as it has been in past surveys regarding future sales, there is a marked optimism compared to the current condition as 85% expect to see sales increase over the next three years. (see Table 9.) Nearly three-fourths attribute past sales declines to economic conditions. And most who expect sales to increase are banking on those conditions improving.

Sales	Increase	Decrease	Stay the same
Last 3 years	49%	46%	5%
Next 3 years	85%	11%	4%

Table 9.

In 2011, (as in 2008) nearly one third of the businesses surveyed DO NOT have sufficient property for expansion.

Just over half of firms are aware of emerging technologies and/or market forces that will affect them, most related to new technologies and market changes. Many expect these changes to affect their business positively, while very few expect more of a negative impact. A third are expecting these changes to result in increased production, sales or productivity.

A surprisingly high (39%) number of businesses state that they have recently adopted innovations not yet widely adopted in their industry, boding well for the dynamism and future prospects of local firms. The types of innovations are as varied as the businesses surveyed. Businesses were also asked to evaluate their industry and the trends facing the industry. Responses were very similar to 2008 with just over half of firms surveyed perceiving that production or sales levels industry-wide are increasing, with about one-fourth seeing industry-wide sales or production levels decreasing. Only 17% see their industry moving operations outside of the U.S., and less than one-third are seeing market share of non-U.S. competitors increasing.

Josephine County businesses continue to impress with their dynamic approach to innovation, investment and change. The local economy is all about change, and businesses are continually adapting to a very dynamic global economy.

- As in years past, a majority (67%) of businesses surveyed said they added or subtracted product lines in the past, and slightly more expect to do so in the future as well.
- Nearly two-thirds say they have entered new markets in the past and more will continue to do so in the future.
- About half of the businesses surveyed made or plan to make market adjustments due to domestic competition, and around 20% have made or will make adjustments due to foreign competition.
- High percentages have made or will make expanded uses of technology, adopting new technologies or investments in labor-saving technologies or "green" technology. Over three-fourths expect to adopt new technology in the next three years
- The challenges expected to be encountered when making changes in the future were extremely varied, but are similar to those challenges faced in the past.

Business expansions/changes

As in past surveys, we remain surprised at the number of businesses surveyed who say they do not own or lease sufficient property at their current site for expansion. The percentage in 2011 is identical to that expressed in 2008 at 1/3 (and down slightly from previous surveys, when around 40% of the businesses surveyed did not have sufficient property for expansion). Additionally, an amazingly high (68%) have plans to modernize or expand their present buildings, which should bode well for the construction industry and other suppliers in the years ahead; many have modernization plans set for this year.

Nearly two-thirds of those surveyed have undertaken a physical expansion in the past five years with most of the work occurring in 2007 and 2008. Just under half have remodeled in the past five years, with a variety of projects cited, including some energy efficiency changes, most occurring in 2010 and 2011. Nearly one-fourth have relocated in recent years, mostly between 2007 and 2009.

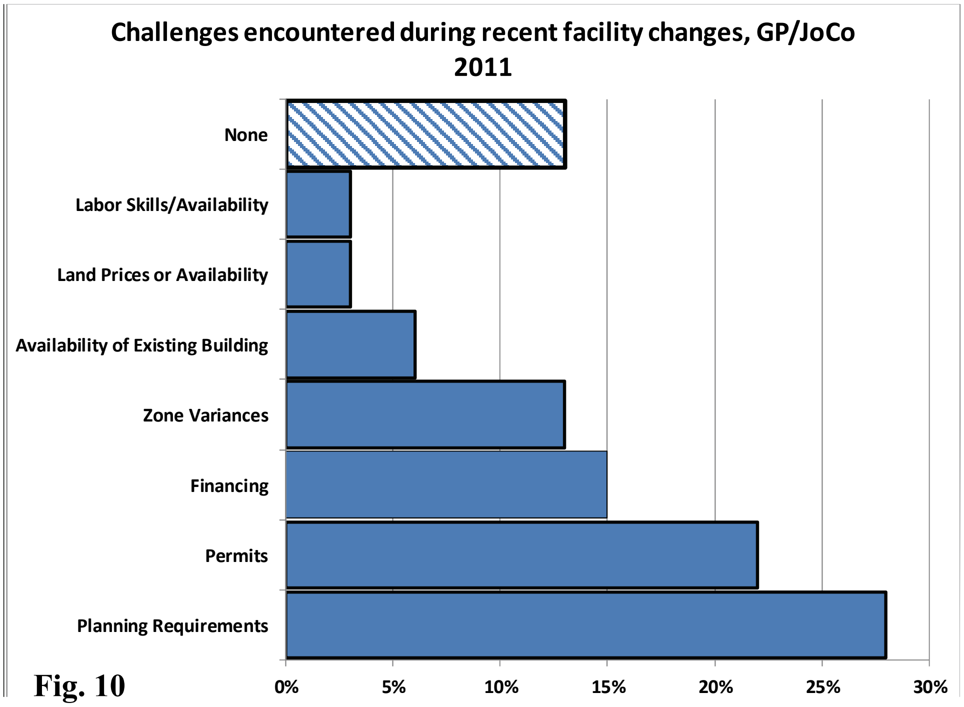


Fig. 10

Nearly two-thirds of those that have undergone expansion, remodel or relocation projects in the recent past stated they encountered challenges with some sort of government regulations or fees. Other challenges listed included access to financing, land and building availability and labor skills or availability. In 2008, over one-third said they did not encounter any challenges at all during their projects, but in 2011 that percentage dropped to 13%, indicating that it may be becoming more challenging for businesses to undertake construction projects in Josephine County. (see Fig. 10.)

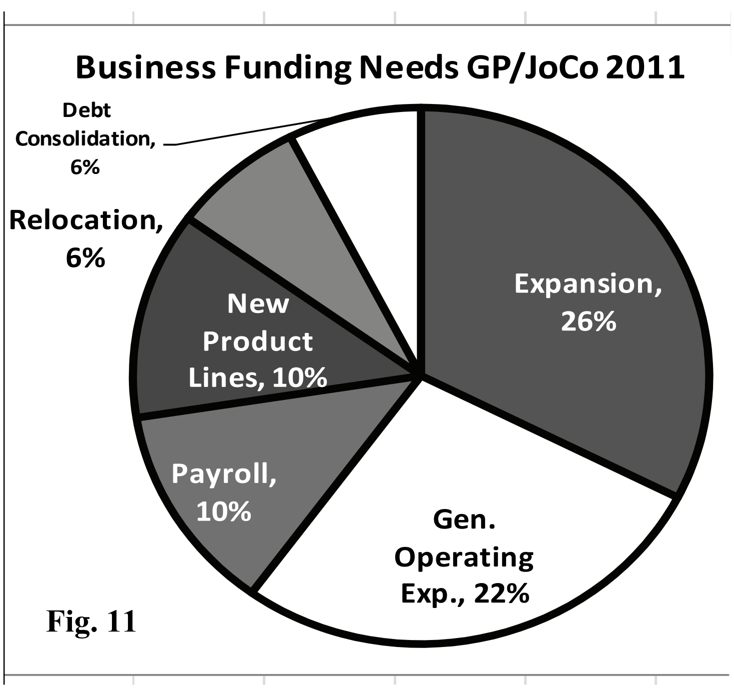


Fig. 11

Access to Capital

In 2011 a question was added on the survey to address potential access to capital issues. Around a third of the respondents claimed some access to capital issues. Most state that access to credit is very difficult currently. One business stated that "big orders could be difficult to fill." Some are resorting to financing internally through cash flow, leasing or seeking financing through public or other non-traditional channels. Businesses are attempting to be innovative with regard to securing the capital needed to grow, but it does appear that the "credit crunch" occurring across the country may result in a negative local economic impact if business growth is limited. The phenomenon appears to be even more pronounced with younger, less-established firms. When asked what the needed funding would be used for, most responded the money was required for expansions and general operation expenses. (see Fig. 11.) Businesses were also asked where their banks were owned. 43% had regional banks, followed by 29% national and 28% local. Since this question was not asked previously a trend cannot be attributed, but there would appear to be market opportunities for local banks to become more involved in financing local business expansions.

Business Retention Issues

When asked whether or not a business was considering relocating or closing within the next three years, only one business said it was planning a closure. But 15% were considering a relocation, and 11% said they "might" consider a relocation or a closure. Those that were considering relocation or closure listed overcrowded building, changing market conditions and no land for expansion as the main reasons affecting a move or closure. (See Fig. 12.) For those few that were considering relocations, most (60%) were considering relocating locally; while 27% were looking at other locations within the Southern Oregon region. However, 13% said they were looking outside of the region.

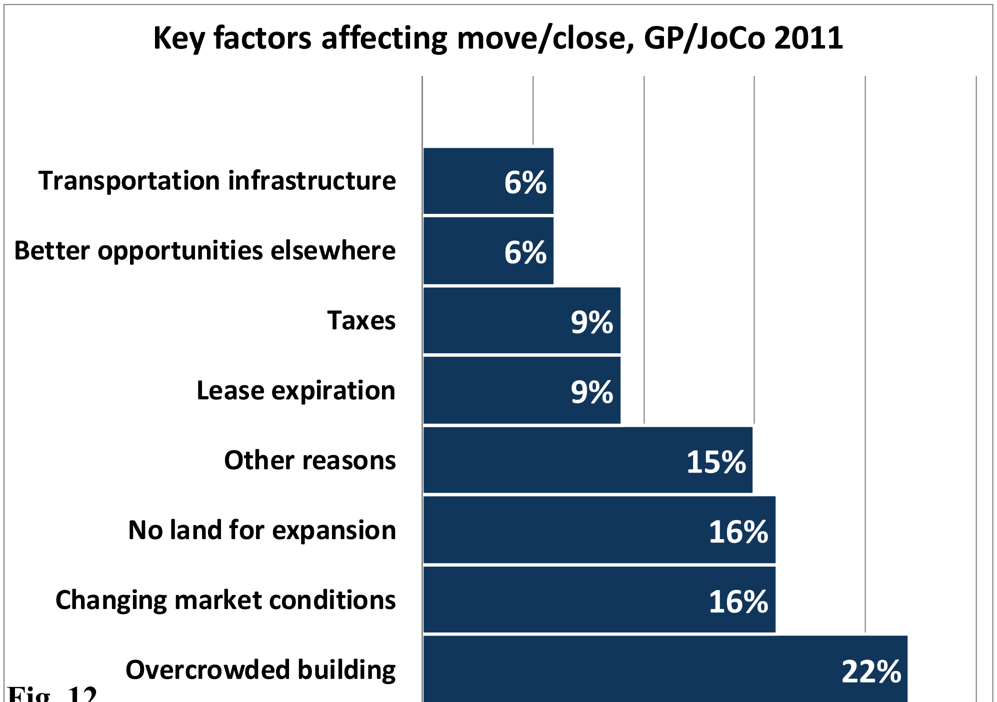


Fig. 12

As in past surveys, it again appears opportunities exist to interact with many businesses who are planning a relocation or expansion in the future. Since many businesses do not have the building/land needed for expansion, there is a need to facilitate real estate development or redevelopment to accommodate these needs. Still others have indicated issues related to financing their expansion plans. There are handful of businesses either looking to close or move out of the area, and these must regarded as critical business retention issues and handled quickly and carefully.

- **68% plan to begin a facility change project within the next 3 years**
- **63% have physically expanded in the past 5 years**
- **24% have relocated in the past 5 years**
- **60% have experienced government-related challenges during recent projects**
- **32% DO NOT HAVE sufficient land or building to expand!**
- **11% plan to close or relocate in the next 3 years**

Many businesses have expressed concerns with planning and permitting (either as community service rankings, noted on Page 22 or challenges noted in past projects). As these government activities pertain to expansion/remodel projects, it is suggested there may be a need to interface with local government agencies in an attempt to address these issues and possibly seek to improve some processes or implement better understanding or education on these processes to affected businesses.

Firms were also asked about their familiarity with various local and regional business and workforce development agencies. The graphical representation of these responses is shown in Fig. 13 on the next page, along with some other statistical highlights of the survey.

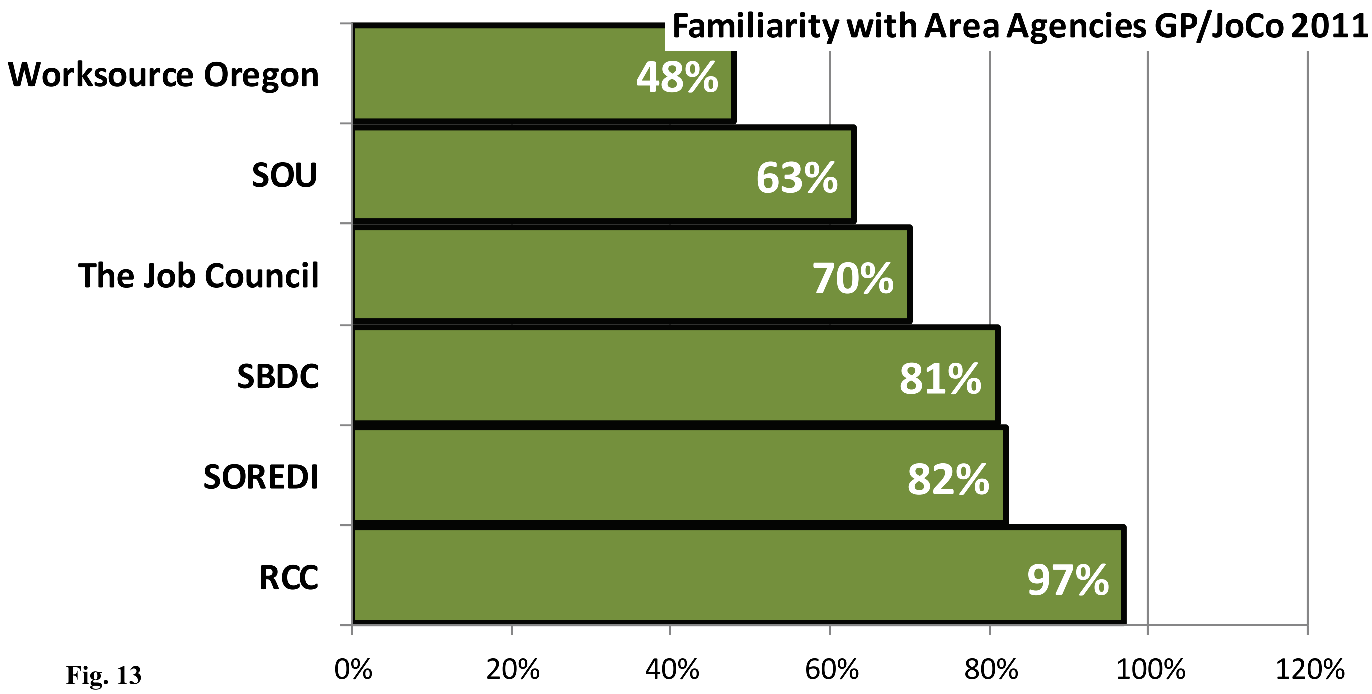


Fig. 13

A sampling of other important data from the survey not reported elsewhere:

- 24% expect that emerging technologies will result in increased sales in the future
- 39% have put in place innovations not yet widely adopted within their industry
- Two-thirds have added or subtracted product lines in the past three years and three-fourths expect to in the next three years
- Well over half have put in place the following in the past and even higher percentages expect to do so in the near future:
  - New technologies
  - Entering new markets
  - Changes in telecommunications
  - Adoption of labor-saving technologies
- After dipping in 2008, businesses say production levels within their respective industries is increasing, though not at the rate reported in 2005
- The impact of foreign competition continues to diminish since 2005
- In the open-ended comments regarding community service ratings (see Table 10 on the following page), the most common negative comments were related to the following community services:
  - Local government: 23 responses
  - Telecommunications: 9 responses
  - Vocational schools: 7 responses
  - Health care: 6 responses
  - Law enforcement: 6 responses

Rating community services

Businesses were asked to rank (using the 1-5 rating scale, with 1 being very poor and 5 being excellent) a variety of community services, ranging from child care to roads. Most areas received a "fair" or better average rating, with the lowest average rating a 3.1 (zoning & land use) and the highest a 4.6 (community as a place to live). *(See also Table 2. on page 13)*.

However, responses ran the full range in most categories from "very poor" or "1" to "excellent" or "5" with considerably more "excellent" ratings than "very poor" ratings. See Table 10 for the detailed breakdown. Most categories saw an improvement over 2008. Two categories fell below previous lows (telecommunications and vocational schools). Of note is that the overall rating for parking availability rose to its highest mark ever (the only category to do so), yet parking issues were very prevalently expressed in the Red Flags. Apparently the issue is problematic to only a few. Also of interest, the new category this year "local government leadership" while earning a respectable overall rating of 3.7, also gained a 19% very poor/ poor rating. Other categories receiving a high percentage of very poor/ poor ratings include vocational schools (37%), building codes & inspection (20%) and zoning & land use (15%). On the other end of the scale parks & recreation was rated good/ excellent by 90% of the businesses, while fire protection and roads each received 83% good/ excellent ratings.

Table 10.

Category	Change/ Trend	Ave. 2011	Ave. 2008	Ave. 2005	Ave. 2002	Ave. 1999
Building codes and inspection	↓↔	3.2	3.3	3.5	3.3	3.2
Zoning and land use	↑↔	3.1	3.0	3.5	3.5	2.9
Child care	↑↔	3.4	2.8	3.6	3.6	3.1
Telecommunications	↓	3.5	3.6	3.6	n/a	n/a
Availability of parking	↑	3.8	3.6	3.7	3.3	3.2
Law enforcement	↑↔	3.7	3.1	3.8	3.8	3.1
Post-secondary education	↑	4.1	3.9	3.8	4.1	3.6
Vocational schools	↓	3.2	3.3	3.8	3.6	3.4
Health care	↔	3.6	3.6	3.8	3.8	3.6
Roads, highways, freeways	↑	4.0	3.7	3.9	3.8	3.2
Elem. & Sec. Schools	↑	3.9	3.8	3.9	4.0	3.4
Water/ Sewer	↑↔	3.8	3.8	4.0	3.9	3.6
Solid waste disposal	↑↔	4.0	3.9	4.0	3.9	3.4
Fire protection	↑↔	4.0	3.7	4.2	4.2	3.9
Parks & Recreation	↑↔	4.2	3.9	4.3	4.3	4.2
Workforce Housing	↑	3.5	3.1	n/a	n/a	n/a
Local Government Leadership		3.7	n/a	n/a	n/a	n/a

"Local Government Leadership" was added as a category in 2011. "Workforce Housing" was added as a category in 2008. "Telecommunications" was added as a category in 2005. "Ambulance services" and "hospitals" were discontinued as categories after 2002. "Water treatment" and "sewer treatment" were combined into one category in 2005, as were "recreation facilities" and "park system." "Street maintenance" was changed to "roads, highways and freeways" in 2005. "Day care" was changed to "child care" in 2005. "Community education" was changed to "post-secondary education" in 2005. The categories "community as a place to live" and "community as a place to do business" were added to this set of questions in 2005, but are reported separately; they are included in Table 2. on page 13.

Suggested strategies and recommendations

Ensure “Red Flag” issues are followed-up accordingly.

The BR&E Committee should appoint a small group to audit the Red Flag issues uncovered during the 2011 round of visitations and ensure all are addressed appropriately, ideally by the end of 2011. It is critical that these do not fall by the wayside. Several businesses expressed considerations of closure or relocation out of the region; these should be acted upon immediately and carefully as imminent retention issues.

Address access to capital issues.

A surprisingly high number of businesses are struggling with access to capital and financing issues, and in cases this could be limiting their potential to grow their businesses and add new jobs. Likewise, a low percentage (24%) are using local banks. There may be opportunities to connect local banks with these businesses to seek mutually beneficial outcomes.

Assist with expansion needs.

Many businesses surveyed are planning a remodel or expansion in the near future and one third don’t currently have sufficient space for an expansion. BR&E needs to pro-actively lend assistance through individual firm assessment, property identification and planning/permitting negotiation and resolution. Whether expanding or not, a high majority of businesses plan to make changes such as new technologies, new product lines, remodeling, entering new markets and changes with regard to telecommunications. These changes will require some manner of funding in most cases and may require permitting or governmental interaction in others.

Develop a strategy to respond to key community issues that received low ratings.

Zoning & land use, building codes & inspection, vocational schools and child care all received relatively low overall ratings. Additionally, vocational schools, building codes & inspections and local government leadership received a relatively high percentage of “poor” and “very poor” ratings. The BR&E Committee should attempt to appropriately respond to the respective agencies on these issues and report back to the business community through the Chamber of Commerce.

2011

Grants Pass/Josephine County, Oregon

BUSINESS RETENTION & EXPANSION (BR&E)

BUSINESS SURVEY/ VISITATION

SUMMARY REPORT

Grants Pass & Josephine County Chamber of Commerce - http://www.bre.grantspasschamber.org